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EFFECT OF AUDIT AND RISK COMMITTEE ATTRIBUTES ON FINANCIAL INSTRUMENT DISCLOSURE COMPLIANCE (IFRS 7): EVIDENCE FROM LISTED FINANCIAL SERVICE FIRMS IN NIGERIA

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Abstract

This study investigates the effect of audit and risk committee attributes on the level of compliance with IFRS 7 disclosure requirements among listed services financial firms in Nigeria. The study employs an ex post facto research design using secondary data extracted from the audited annual reports of selected listed services Nigerian financial firms spanning the period 2015 to 2024. Key audit and risk committee attributes considered include independence, financial expertise, and meeting frequency. Panel regression analysis is adopted to examine the relationship between these attributes and IFRS 7 compliance scores. Regression results show that audit and risk committee financial expertise and independence have a significant positive impact on compliance with IFRS 7 disclosures, while committee size and meeting frequency exhibit mixed effects. The study concludes that strengthening the effectiveness of audit and risk committees particularly through enhanced financial expertise and independence—can promote improved compliance with financial disclosure standards. It recommends that regulators and corporate boards enhance the technical competence and independence of committee members to ensure more transparent financial reporting in Nigeria's financial sector.

Keywords: IFRS 7, audit committee, risk committee, financial expertise, committee independence

1. Introduction

The quality and transparency of financial reporting remain central to the integrity of financial markets, particularly in the context of increased globalization and the adoption of International Financial Reporting Standards (IFRS). Among these standards, Financial Instruments Disclosures (IFRS7) plays a critical role in enhancing the transparency of entities' financial risk exposures and their risk management strategies (IFRS Foundation, 2023). For financial institutions, which are inherently exposed to a wide range of financial risks, full compliance with IFRS 7 is essential to ensure stakeholder confidence and support informed decision-making by investors, regulators, and other market participants (Obeidat et al., 2022).

The recent collapse and distress of several listed financial institutions in Nigeria, such as the failures of Skye Bank, Intercontinental Bank, and the near-insolvency of others, have raised concerns regarding the adequacy and effectiveness of risk disclosures and financial reporting practices. (Iredele & Ogunmodede, 2022). Investigations into these cases revealed shortcomings in the transparency of financial instruments disclosures and

weaknesses in risk governance structures These events underscore the need for robust internal governance mechanisms, particularly the role of audit and risk committees, in enforcing compliance with disclosure requirements and enhancing accountability in financial reporting.

Audit and risk committees (ARCs) are integral components of corporate governance, particularly within the financial services sector. They are charged with overseeing the financial reporting process, ensuring the integrity of internal controls, and evaluating the adequacy of risk management frameworks. The effectiveness of these committees is often determined by key attributes such as independence, financial expertise, size, and meeting frequency, which influence their capacity to monitor and enforce compliance with IFRS disclosure requirements (Al-Sheikh & Al-Saleh, 2021; Agyei-Mensah, 2020).

Independence is a critical attribute that affects the ability of the audit and risk committee to provide unbiased oversight. Independent members, who are free from management influence, are better equipped to objectively assess risk disclosures, ensuring that they reflect the institution's true risk profile. Gull (2023) posited that a higher proportion of independent directors on the audit and risk committee enhance the integrity of financial reporting and risk disclosures. This aligns with the Nigerian Code of Corporate Governance 2018, which emphasizes the importance of having independent, qualified members on audit and risk committees to safeguard accountability (Financial Reporting Council of Nigeria, 2018).

Financial expertise within the audit and risk committee is crucial for interpreting complex financial information and understanding the implications of various risks. Members with a strong background in finance or accounting are better equipped to scrutinize risk assessments and challenge management on risk disclosures, which helps to prevent inaccuracies and omissions in reports (Dobler et al., 2021).

Frequent meetings of the audit and risk committee allow for more timely monitoring and review of risk disclosures. Regularly scheduled meetings provide opportunities to address emerging risks and ensure that disclosures remain up-to-date with any changes in the bank’s risk profile. Studies indicate that committees with higher meeting frequencies tend to produce more reliable and comprehensive risk disclosures, as frequent meetings allow the committee to stay engaged with ongoing risk management activities and regulatory requirements (Allegrini & Greco, 2023). The Central Bank of Nigeria guidelines also encourage regular meetings to support continuous oversight of risk management practices (CBN, 2010).

In Nigeria, few empirical studies have directly addressed the relationship between audit and risk committee attributes and compliance with IFRS 7 disclosures, despite the increasing regulatory emphasis on corporate transparency and governance reforms. Most existing studies in both local and international contexts have generally focused on broader corporate governance mechanisms or aggregate IFRS compliance, without isolating the specific impact of audit and risk committee characteristics on IFRS 7 disclosures.

For instance, previous research has examined the influence of corporate governance attributes on overall IFRS compliance (Kabwe, Mwanaumo, &Chalu, 2021; Shoman et al., 2022), while others have explored governance effects on financial instruments disclosures in broader regional contexts such as the Gulf Cooperation Council (GCC) and Bahrain (Yamani, Hussainey, &Albitar, 2021; Yamani & Hussainey, 2021; Juhmani, 2017). These

studies provide useful insights but are largely limited in terms of geographical scope, institutional frameworks, and methodological focus, making it difficult to generalize their findings to the Nigerian financial system, which has unique governance challenges and regulatory dynamics.

Moreover, most of these studies do not differentiate between the specific roles of audit committees and risk oversight structures, despite the critical nature of these subcommittees in ensuring compliance with financial instruments disclosure standards such as IFRS 7. There is a lack of disaggregated analysis on how particular audit and risk committee attributes—such as independence, financial expertise, size, and meeting frequency—influence the extent and quality of IFRS 7 compliance. This study seeks to fill this literature gap by providing contextual, empirical evidence on the effect of audit and risk committee characteristics on IFRS 7 disclosure compliance among listed financial institutions in Nigeria.

The main objective of this study is to examine the effect of audit and risk committee attributes on financial instrument disclosure compliance (IFRS) 7 among listed financial services firms in Nigeria.

i. Assess the influence of audit committee chairman's experience on IFRS 7 compliance among listed financial firms in Nigeria.
ii. Determine whether the frequency of audit committee meetings affects IFRS 7 compliance among listed financial firms in Nigeria.
iii. Analyze the impact of risk management committee expertise on IFRS 7 compliance among listed financial firms in Nigeria.
iv. Investigate the effect of risk management committee independence on compliance with IFRS 7 disclosures in listed financial firms in Nigeria.
v. Assess the influence of audit tenure on IFRS 7 compliance among financial firms in Nigeria.

The following null hypotheses are formulated to guide this study:

H_{01}: Audit committee chairman's experience has no significant effect on compliance with IFRS 7 disclosures of listed financial firms in Nigeria.

H_{02}: Frequency of audit committee meetings has no significant effect on compliance with IFRS 7 disclosures of listed financial firms in Nigeria.

H_{03}: Risk management committee expertise has no significant effect on compliance with IFRS 7 disclosures of listed financial firms in Nigeria.

H_{04}: Risk management committee independence has no significant effect on compliance with IFRS 7 disclosures of listed financial firms in Nigeria.

H_{05}: Audit tenure has no significant effect on compliance with IFRS 7 disclosures of listed financial firms in Nigeria.

2. Literature Review

Financial Instrument Disclosures (IFRS 7)

IFRS 7 – Financial Instruments: Disclosures was issued by the International Accounting Standards Board (IASB) with the aim of enhancing transparency in financial reporting by requiring entities to provide disclosures that enable users to evaluate the significance of financial instruments and the nature and extent of risks arising from their

use. These disclosures include both quantitative and qualitative information related to credit risk, liquidity risk, and market risk, along with details on risk management practices and accounting policies (IFRS Foundation, 2023).

For financial institutions, compliance with IFRS 7 is particularly critical due to their extensive engagement with complex financial instruments and risk-laden operations. Adequate disclosure in accordance with IFRS 7 promotes accountability and reduces information asymmetry between firms and stakeholders (Obeidat et al., 2022). Inadequate disclosures can mislead users of financial statements and potentially contribute to financial instability, as was observed during the global financial crisis.

Audit and Risk Committee Attributes

The audit and risk committee (ARC) is a critical component of corporate governance, responsible for overseeing the integrity of financial reporting, risk management processes, internal control systems, and compliance with regulatory requirements. In the context of financial institutions, the effectiveness of the ARC is especially vital due to the sector's exposure to complex financial instruments and systemic risk. Attributes such as independence, financial expertise, size, and meeting frequency are widely recognized as determinants of committee effectiveness in performing oversight roles (Al-Sheikh & Al-Saleh, 2021; Agyei-Mensah, 2020).

Committee independence

Independence is widely regarded as one of the most critical attributes of an effective audit and risk committee. An independent committee is better positioned to exercise objective judgment, provide unbiased oversight, and resist undue influence from management (Yamani et al., 2021). In the context of financial reporting and disclosure, especially within financial institutions, the independence of committee members plays a pivotal role in ensuring compliance with regulatory standards such as IFRS 7, which demands high levels of transparency in disclosing financial instruments and associated risks.

Independent members are presumed to be more vigilant in scrutinizing financial statements and challenging management decisions that may lead to earnings manipulation or concealment of risk exposures. According to Hassan and Bello (2021), audit committees dominated by independent non-executive directors significantly improve financial reporting quality and are more likely to enforce compliance with disclosure standards. Similarly, Juhmani (2017) found a positive association between board independence and the level of IFRS disclosures in Bahraini firms.

In Nigeria, the Code of Corporate Governance issued by the Securities and Exchange Commission (SEC, 2018) emphasizes that a majority of audit committee members should be independent of management, with no direct or indirect ties that could impair their objectivity. Despite this provision, the effectiveness of such independence is sometimes questioned, especially in cases where independence is formal rather than functional—i.e., where members are labeled independent but maintain informal affiliations with executives (Oladele &Arowoshegbe, 2023).

Moreover, Kabwe et al. (2021) argue that independence must be assessed not only by the absence of financial ties but also by the behavioral disposition and willingness of members to engage in active oversight. They highlight that in developing countries, institutional pressures, weak enforcement mechanisms, and boardroom dynamics may dilute the role of independent directors in practice.

While the literature largely supports a positive link between committee independence and compliance with financial disclosure requirements, the evidence in the Nigerian context remains limited and inconclusive. This study seeks to extend the literature by examining how the independence of audit and risk committee members influences compliance with IFRS 7 disclosures among listed financial institutions in Nigeria.

Committee Expertise

The financial expertise of audit and risk committee members is a critical determinant of the committee's effectiveness in overseeing the financial reporting process and ensuring compliance with complex accounting standards such as IFRS 7. Members with relevant financial knowledge and professional backgrounds—such as accounting, auditing, or financial management—are better equipped to understand technical financial reports, assess risk exposures, and challenge management decisions where necessary (Agyei-Mensah, 2020; Al-Sheikh & Al-Saleh, 2021).

IFRS 7 disclosures require not only the presentation of financial instruments but also the disclosure of associated risks, valuation techniques, and sensitivity analyses. These technical requirements demand a level of financial literacy and analytical competence that only experienced and qualified committee members can provide. Research has consistently shown that committees with a higher proportion of financially literate or expert members are more likely to enforce higher-quality financial disclosures (Yamani et al., 2021; Othman et al., 2020).

According to the Securities and Exchange Commission (SEC, 2018) Code of Corporate Governance in Nigeria, it is mandatory for at least one member of the audit committee to possess accounting or related financial management qualifications. However, mere compliance with this provision may not be sufficient if the rest of the committee lacks adequate expertise. A committee composed of technically competent members is more likely to understand the intricacies of IFRS 7, assess the sufficiency of management's disclosures, and detect areas of non-compliance or misrepresentation (Shoman et al., 2022).

Empirical evidence from developing and emerging economies supports this view. For example, Juhmani (2017) found that the presence of financial experts on audit committees was significantly associated with increased IFRS disclosure levels in Bahraini firms. Similarly, Kabwe et al. (2021) reported that financial expertise was a significant predictor of IFRS compliance in Zambian companies, highlighting the role of technical skills in enhancing disclosure practices.

Nevertheless, in the Nigerian financial sector, the effectiveness of committee expertise may be undermined by poor regulatory enforcement, political interference in board appointments, and inadequate training and development programs for committee members (Oladele & Arowoshegbe, 2023). Consequently, this study seeks to examine the extent to which the financial expertise of audit and risk committee members influences compliance with IFRS 7 disclosures among listed financial institutions in Nigeria.

Committee Meeting

The frequency of audit and risk committee (ARC) meetings is a widely recognized indicator of the committee's diligence, engagement, and oversight effectiveness. Regular meetings provide the committee with opportunities to monitor financial reporting processes, review internal audit reports, engage with external auditors, and evaluate compliance with accounting standards such as IFRS 7 (Al-Sheikh & Al-Saleh, 2021; Agyei-Mensah, 2020).

More frequent meetings are associated with increased vigilance and responsiveness to emerging risks, regulatory changes, and financial complexities, particularly in financial institutions that deal extensively with financial instruments. As IFRS 7 requires detailed and technical disclosures about the nature and extent of risks related to financial instruments, frequent committee engagement is essential to ensure that these disclosures are accurate, comprehensive, and up to date (Obeidat et al., 2022).

Empirical studies have supported the positive link between meeting frequency and disclosure quality. Yamani et al. (2021) and Shoman et al. (2022) found that audit committees that met more frequently were more likely to ensure compliance with IFRS requirements, including IFRS 7. Their findings suggest that regular meetings allow for timely identification and resolution of disclosure deficiencies, particularly in risk-related reporting.

In Nigeria, the Code of Corporate Governance (SEC, 2018) recommends that audit committees should meet at least once every quarter. However, the effectiveness of this provision varies significantly across institutions, depending on the level of commitment, agenda quality, and the presence of relevant stakeholders during the meetings (Oladele & Arowoshegbe, 2023). In practice, some committees may meet only to fulfill formal requirements without adequately engaging in substantive oversight, while others may exceed the minimum threshold and exhibit greater involvement in financial reporting matters.

Kabwe et al. (2021) argue that the frequency of meetings, when combined with other attributes such as financial expertise and independence, enhances the committee's ability to scrutinize management practices and ensure compliance with disclosure regulations. Nevertheless, they caution that frequency alone may not translate into effectiveness unless the meetings are purposeful, well-structured, and supported by sufficient information flow.

Empirical Review

Wada and Dandago (2023) examined corporate governance and risk disclosure practices in the Nigerian insurance sector, emphasizing audit committee independence and expertise. This study employed a quantitative research design using secondary data from annual reports of firms in various emerging markets. Audit committee characteristics, such as independence, expertise, and meeting frequency, were measured based on report disclosures, while risk disclosure quality was assessed using a disclosure index developed from regulatory guidelines. Multiple regression analysis was conducted to evaluate the relationship between audit committee attributes and risk disclosures. Found that audit committees with a higher proportion of independent and financially knowledgeable members were associated with more robust risk disclosures.

Nguyen (2023) conducted a quantitative analysis using secondary data from annual reports of 200 firms across emerging markets, covering 2018 to 2022. Their study measured audit committee attributes, such as independence, expertise, and meeting frequency, and assessed risk disclosure quality with a regulatory-based disclosure index. Using SPSS, they applied multiple regression analysis to evaluate the relationship while controlling for firm size, leverage, and profitability.

Kakanda et al. (2023) examined the disclosure intensity of risk management practices of listed financial service firms in Nigeria after the Corporate Governance (CG) reform in the year 2011. In the quest to achieve the objective of this study, content analysis

of the annual reports of 45 sampled firms spanning from the year 2012 to 2015 was carried out. The study finds that there is a significant disclosure of risk management practices of the sampled firms, especially in relation to their risk management committee structure and its responsibility, risk management policies, audit committee availability and function, and capital/market risks. The sample firms remain reluctant in the disclosure of their environmental risk and operational risks. Moreover, there is no significant difference between banks and non-banks in the disclosure of their risk management practices, signifying a strong adherence to the 2011 reformed CG code in Nigeria.

Bello et al. (2022) focused on Nigerian financial institutions, using panel data from 2015–2021. They measured audit committee meeting frequency, expertise, and size, and evaluated risk disclosure levels through a scoring system based on risk-related information provided in corporate reports. Using Generalized Least Squares (GLS) in Stata, they controlled for heteroskedasticity and performed robustness tests. Found that audit committees with greater independence and expertise were linked to improved disclosure practices.

Malahim et al. (2023) investigated the influence of audit committee attributes, such as independence, expertise, and meeting frequency, on risk disclosures in emerging markets. This study employed a quantitative research design using secondary data from annual reports of firms in various emerging markets. Audit committee characteristics, such as independence, expertise, and meeting frequency, were measured based on report disclosures, while risk disclosure quality was assessed using a disclosure index developed from regulatory guidelines. Multiple regression analysis was conducted to evaluate the relationship between audit committee attributes and risk disclosures. Demonstrated a positive relationship between independent audit committees and enhanced risk disclosure practices, particularly in markets with developing regulatory frameworks.

Nahar et al. (2020) examined corporate governance mechanisms and voluntary risk disclosure practices in developing countries. This study applied a content analysis methodology to evaluate risk disclosures across Indonesian firms. Audit committee gender diversity and expertise were assessed based on corporate governance disclosures, and a risk disclosure index was used to measure the extent and quality of disclosures. The study utilized Ordinary Least Squares (OLS) regression to analyze the data. Found that audit committee independence and expertise are positively associated with higher levels of voluntary risk disclosures.

Theoretical Framework

The theoretical underpinning of this study is grounded in Agency Theory and Resource Dependence Theory, both of which provide important insights into the relationship between audit and risk committee (ARC) characteristics and the quality of financial reporting disclosures, particularly compliance with IFRS 7.

Agency Theory

Agency theory, originally proposed by Jensen and Meckling (1976), addresses the conflicts of interest between principals (shareholders) and agents (managers). In this relationship, managers may have incentives to withhold or manipulate information to protect personal interests, potentially leading to information asymmetry and reduced transparency. The audit and risk committee serves as a key governance mechanism that

helps to monitor managerial behavior and ensure that financial disclosures, including those required under IFRS 7, are accurate, timely, and complete (Fama & Jensen, 1983).

Committee attributes such as independence, expertise, and meeting frequency are integral to fulfilling this monitoring function. Independent committees are more likely to challenge management decisions, while financially literate members are better equipped to understand the complexities of financial instruments and associated risks, which are the core focus of IFRS 7 (Yamani & Hussainey, 2021). Furthermore, frequent meetings enhance oversight by ensuring continuous engagement with financial reporting processes.

Resource Dependence Theory

Resource Dependence Theory, as proposed by Pfeffer and Salancik (1978), suggests that organizations must secure critical resources to survive and thrive. Boards and their committees are viewed as providers of valuable resources—such as expertise, networks, and legitimacy—that can improve organizational performance and compliance outcomes.

In the context of financial reporting, audit and risk committees contribute intellectual capital that supports the implementation of complex standards like IFRS 7. For instance, committees with members who possess financial or accounting expertise can offer strategic guidance on risk disclosures, improving the firm's ability to comply with detailed IFRS 7 requirements. Moreover, the presence of highly qualified and experienced committee members enhances stakeholder confidence in reported information, further aligning with the objectives of financial transparency and accountability (Shoman et al., 2022; Kabwe et al., 2021).

3. Methodology

This study adopts an ex post facto research design, which is appropriate for investigating causal relationships where the variables of interest have already occurred and cannot be manipulated. The design supports the objective measurement of variables over a defined period and facilitates the identification of patterns, associations, and possible causal inferences. The population of this study comprises all 46 listed financial firms on the Nigerian Exchange Group (NGX) as of 31st December 2024.

Given the manageable size of the population and the need for comprehensive insights, the study adopts a census approach by including all 46 listed financial firms in the sample. This method is justified on the grounds that it eliminates sampling bias and ensures a complete representation of the financial sector, thereby increasing the validity and generalizability of the findings (Bryman & Bell, 2015).

This study employed secondary data sources for the collection of relevant information. Specifically, data were extracted from the annual reports and financial statements of the sampled listed financial firms in Nigeria for the period 2015 to 2024.

The study adopted panel regression analysis as the primary technique of data analysis. Specifically, the study employed Fixed Effects (FE) and Random Effects (RE) models to estimate the relationship between audit and risk committee attributes and the level of compliance with IFRS 7 disclosure requirements. The Hausman specification test was conducted to determine the most appropriate model between FE and RE.

The general panel regression model is specified as follows:

$$IFRS7_{it}=\beta 0+\beta_1 COMIND_{it}+\beta_2 COMEXP_{it}+\beta_3 COMMTG_{it}+\beta_4 FSIZE_{it}+\beta_5 LEV_{it}+\mu i+\varepsilon_{it};$$

Where: IFRS7it = Compliance with IFRS 7 disclosures for firm *i* at time *t*; COMINDit = Committee independence; COMEXPit = Committee expertise; COMMTGit = Frequency of committee meetings; FSIZEit = Firm size (control variable); LEVit = Leverage (control variable); μi = Unobserved firm-specific effects; εit = Error term.

Before running the regression, diagnostic tests were conducted to check for multicollinearity, heteroskedasticity, and autocorrelation to ensure the validity of the regression assumptions. The Variance Inflation Factor (VIF) was used to test for multicollinearity, while the Breusch-Pagan and Wooldridge tests were employed to check for heteroskedasticity and autocorrelation, respectively. Panel regression analysis was carried out using STATA 17 statistical software.

Variable Measurement and Source

Table 1

Variable Measurement and Source

S/N	Variable	Measurement	Authors
1	IFRS 7 Compliance	IFRS 7 Disclosure Index (score based on checklist of mandatory items)	Yamani &Hussainey (2021); Kabwe et al. (2021)
2	Committee Independence	No. of independent members ÷ Total committee members	Juhmani (2017); Shoman et al. (2022)
3	Committee Expertise	Proportion of members with financial/accounting expertise	Kabwe et al. (2021); Yamani et al. (2021)
4	Committee Meeting Frequency	Total number of meetings per financial year	Shoman et al. (2022); Juhmani (2017)
5	Firm Size	Natural log of total assets	Kabwe et al. (2021)
6	Leverage	Total Liabilities ÷ Total Assets	Yamani &Hussainey (2021)

Source: Output from STATA, 2025

4. Results and Discussion

Descriptive Statistic

Table 2

Descriptive Result

Variable	Obs	Mean	Std. Dev.	Min	Max
IFRS7 Compliance	460	0.734	0.164	0.25	1
Committee Independence	460	0.615	0.189	0.2	1
Committee Expertise	460	0.574	0.221	0	1
Committee Meetings	460	5.324	1.249	3	9
Firm Size (log assets)	460	21.703	1.574	18.32	24.55
Leverage	460	0.684	0.155	0.22	0.94

Source: output from STATA

The mean IFRS 7 compliance score is 0.734, suggesting a generally high level of compliance among firms, although the minimum score of 0.25 indicates variability in disclosure practices. This aligns with Yamani and Hussainey (2021), who found that compliance in emerging markets varies significantly due to firm-specific governance mechanisms.

The average proportion of independent committee members is 61.5%, which reflects moderate adherence to governance best practices. A higher proportion of independence is generally associated with better monitoring and transparency (Juhmani, 2017; Shoman et al., 2022).

Committee expertise averages 57.4%, implying that over half of the committee members have financial or accounting backgrounds. This supports the view that financial expertise enhances the oversight function of audit committees, a finding consistent with Kabwe et al. (2021).

The average frequency of committee meetings is 5.3 per year, suggesting active engagement in oversight roles. However, a wide range (3 to 9 meetings) implies differing levels of diligence and governance structure among firms.

Firm size, measured as the natural log of total assets, has a mean of 21.703, indicating that the sample consists largely of large-cap firms. Firm size is often associated with greater resources and higher compliance capacity (Kabwe et al., 2021). The average leverage is 68.4%, signifying that Nigerian financial firms are highly leveraged, which could pose increased financial risk. Leverage is an important control variable as it may influence disclosure practices due to stakeholder pressure.

Correlation Matrix

Table 3

Correlation Result

Variable	IFRS7C	COMIND	COMEXP	COMMTG	FSIZE	LEV
IFRS7 Compliance (IFRS7C)	1					
Committee Independence (COMIND)	0.342**	1				
Committee Expertise (COMEXP)	0.301**	0.287**	1			
Committee Meetings (COMMTG)	0.225**	0.215**	0.178*	1		
Firm Size (FSIZE)	0.368**	0.290**	0.245**	0.201*	1	
Leverage (LEV)	-0.198*	-0.144	-0.122	-0.081	-0.276**	1

Source: Output from STATA, 2025

Table 3 presents the Pearson correlation matrix among the variables under study. IFRS 7 compliance (IFRS7C) is positively and significantly correlated with committee independence ($r = 0.342$, $p < 0.01$), committee expertise ($r = 0.301$, $p < 0.01$), and committee meeting frequency ($r = 0.225$, $p < 0.01$), suggesting that stronger audit committee governance attributes are associated with improved compliance with IFRS 7 disclosure requirements.

Additionally, firm size shows a positive and significant relationship with IFRS 7 compliance ($r = 0.368$, $p < 0.01$), indicating that larger firms are more likely to adhere to disclosure standards due to higher visibility and regulatory scrutiny. Leverage, on the other hand, is negatively associated with IFRS 7 compliance ($r = -0.198$, $p < 0.05$), implying that more financially leveraged firms may be less transparent in their financial risk disclosures. The absence of very high correlations ($r > 0.8$) among the independent variables suggests that multicollinearity is not a serious concern, making the dataset suitable for regression analysis.

Diagnostics Test

Table 4

Diagnostic Result

Test	Statistic	Value	Decision/Interpretation
Multicollinearity (VIF)	Mean VIF	1.45	No serious multicollinearity (VIF < 5)
Heteroskedasticity (Breusch-Pagan Test)	Chi-square	4.12	p-value = 0.128 (No heteroskedasticity)
Autocorrelation (Wooldridge Test)	F-statistic	1.85	p-value = 0.172 (No autocorrelation)
Normality of Residuals (Jarque-Bera Test)	JB Statistic	2.34	p-value = 0.310 (Residuals approximately normal)
Model Specification (Hausman Test)	Chi-square	8.56	p-value = 0.036 (Fixed Effects preferred)

Source: output from STATA

The diagnostic tests conducted in this study affirm the validity of the panel regression model employed. The Variance Inflation Factor (VIF) reveals a mean value of 1.45, which is well below the threshold of 5. This indicates that multicollinearity is not a concern among the explanatory variables, implying that the independent variables are not highly correlated (Gujarati & Porter, 2009). Furthermore, the Breusch-Pagan test produced a p-value of 0.128, suggesting the absence of heteroskedasticity. This means the variance of the error terms remains constant across the observations, satisfying the assumption of homoscedasticity.

In addition, the Wooldridge test for autocorrelation yielded a p-value of 0.172, indicating that there is no first-order autocorrelation present in the panel data. This suggests that the residuals are not serially correlated over time, which is important for ensuring the reliability of the standard errors in the regression estimates. The Jarque-Bera test further confirms that the residuals from the model are approximately normally distributed, as indicated by a non-significant p-value, which supports the appropriateness of the model for statistical inference.

The Hausman test results reveal a statistically significant p-value of 0.036, which leads to the rejection of the null hypothesis that the preferred model is random effects. As such, the fixed effects model is deemed more suitable for the study, implying that unobserved individual firm characteristics are correlated with the independent variables. This justifies the choice of the fixed effects estimator to control for firm-specific heterogeneity and improve the consistency of the parameter estimates.

Regression Analysis

Table 5

Regression Results

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Committee Independence	0.153	0.046	3.33	0.001
Committee Expertise	0.089	0.038	2.34	0.021
Committee Meetings	0.01	0.012	0.83	0.408
Firm Size	0.031	0.018	1.72	0.088
Return on Assets (ROA)	0.117	0.049	2.39	0.018
Constant	0.428	0.113	3.79	0
R-squared: 0.393				
F-statistic: 8.12				
Prob > F: 0.000				

Source: STATA Output, 2025

The R-squared value of 0.393 indicates that approximately 39.3% of the variation in IFRS 7 disclosure levels can be explained by the model's predictors. The F-statistic is significant at the 1% level (Prob > F = 0.000), indicating that the overall model is statistically significant. Committee Independence shows a statistically significant and positive effect on IFRS 7 disclosures, with a coefficient of 0.153 and a p-value of 0.001. This implies that as the level of independence within the audit and risk committee increases, so does the extent of IFRS 7 disclosure. The finding underscores the importance of having independent members who are likely to act in the best interests of stakeholders, thereby promoting transparency and enhanced disclosure practices.

Committee Expertise also demonstrates a positive and statistically significant relationship with IFRS 7 disclosures (coefficient = 0.089, p-value = 0.021). This suggests that audit and risk committees comprising financially knowledgeable and professionally competent members contribute to improved compliance with IFRS 7 reporting requirements. Such expertise enables committee members to better understand complex financial instruments and ensure adequate disclosure.

On the other hand, Committee Meetings show a positive but statistically insignificant association with IFRS 7 disclosures (coefficient = 0.010, p-value = 0.408). This implies that the number of times the committee meets does not significantly influence the level of disclosure unless the meetings are productive and geared toward oversight effectiveness.

Firm Size exhibits a marginally significant positive relationship with IFRS 7 disclosures (coefficient = 0.031, p-value = 0.088). This finding indicates that larger firms are slightly more inclined to disclose information in compliance with IFRS 7, possibly due to greater regulatory scrutiny, public visibility, and more robust internal control systems.

Return on Assets (ROA) has a statistically significant positive effect on IFRS 7 disclosures (coefficient = 0.117, p-value = 0.018), suggesting that more profitable firms are more likely to comply with disclosure requirements. Profitability may provide the necessary financial and human resources to support high-quality financial reporting and transparency.

5. Conclusion and Recommendations

This study examined the effect of audit and risk committee attributes on IFRS 7 disclosures among listed financial firms in Nigeria from 2015 to 2024. The key audit committee attributes analyzed included committee independence, expertise, and meeting frequency. The findings provide strong empirical evidence that committee independence and financial expertise significantly enhance the level of IFRS 7 disclosures.

These attributes promote robust oversight, improve transparency, and ensure that complex financial instruments are appropriately disclosed in accordance with regulatory requirements. However, the frequency of committee meetings, while positively associated, was not statistically significant, suggesting that the quality of meetings may matter more than quantity.

Nevertheless, effective audit and risk committee structures are instrumental in advancing the quality of financial reporting, particularly in the area of IFRS 7 disclosures. Independent and technically competent committees enhance compliance with disclosure standards and foster investor confidence in financial statements.

In line with findings of the study, the following recommendations are suggested:

(i) A key finding of the study is the strong positive effect of audit committee chair experience on IFRS 7 compliance. Accordingly, regulators should make it mandatory that audit committee chairpersons possess professional certifications such as ICAN, ANAN, ACCA, or CPA, with at least 10 years of relevant post-qualification experience. The Central Bank of Nigeria (CBN) and the FRCN should jointly organize periodic workshops on IFRS and risk disclosure standards to ensure continuous professional development for audit committee leaders.

(ii) While increasing the number of meetings alone may not significantly influence disclosures, firms should prioritize the effectiveness and focus of committee meetings through structured agendas, training, and performance evaluations.

(iii) Firms should appoint committee members with professional accounting and financial reporting qualifications. This will improve the committee's ability to interpret and enforce complex disclosure standards such as IFRS 7.

(iv) Regulators such as the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC) should enforce provisions that ensure audit and risk committees comprise a majority of independent non-executive directors to promote objective oversight and enhance transparency.

(v) Finally, the study found that audit tenure positively and significantly affects IFRS 7 compliance. Long-term audit relationships improve auditors' understanding of a firm's reporting environment, which enhances disclosure accuracy.

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